

**LANCASHIRE COMBINED FIRE AUTHORITY  
RESOURCES COMMITTEE**

Meeting to be held on 28 November 2018

**FINANCIAL MONITORING 2018/19  
(Appendices 1 and 2 refer)**

Contact for further information:

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**Executive Summary**

The report sets out the current budget position in respect of the 2018/19 revenue and capital budgets and performance against savings targets.

**Recommendation**

Resources Committee are requested to:

- note and endorse the financial position;
- approve the amendment to the 2018/19 capital budget.

**Information**

Revenue Budget

The overall position as at the end of September shows an overspend of £0.3m. We are monitoring any trends that develop to ensure that they are reflected in future year's budgets, as well as being reported to Resources Committee. In terms of the year end forecast it is still early in the year, however the latest forecast currently shows an underspend of approximately £0.1m, reflecting anticipated vacancies in the second half of the year, the lack of an apprentice FF programme and the timing of some non-pay expenditure. It should be noted that the budget allowed for a 2% July 2017 pay award for grey book personnel, this was actually agreed at 1% hence the budget was overstated by £300k, which is reflected in the position outlined above.

The year to date and forecast outturn positions within individual departments are set out in Appendix 1, with major variances relating to non-pay spends and variances on the pay budget being shown separately in the table below: -

Area	Overspend / (Under spend) to 30 Sept	Forecast Outturn at 31 March	Reason
	£'000	£'000	
Winter Hill	110	110	Cost agreed to date currently stand at £1m, however it should be noted that we are awaiting outstanding invoices in relation to the incident from three FRS who assisted and as such we cannot accurately predict the final total cost.

			<p>As reported previously we intend to submit a claim under the Bellwin Scheme of Emergency Financial Assistance and hence anticipate our total net costs being limited to the threshold £110k.</p> <p>The Committee will be updated on final costs, once all claims have been received.</p>
Procurement	52	73	<p>The overspend to date and the outturn position both relate to the replacement of Personal Protective Equipment which has reached the end of its economic life. In addition the recruitment that has taken place in year has led to an increase spend on Technical Rescue Jackets, to accommodate size changes since the initial bulk purchase prior to roll out. This has ultimately lead to the need to purchase more of the more common sizes of jacket in order to hold the correct amount in the pooled stock. We are currently reviewing pooled PPE stock, which is nearing the end of its life, to determine likely outturn costs as well as on-going budget requirements.</p>
Property	103	150	<p>The overspend position relates to premises repairs and maintenance. The forecast overspend reflects some of the new minor schemes approved in year to enhance station facilities such as enhanced female facilities.</p>
Pensions	(13)	80	<p>The outturn position reflects a number of ill health retirements anticipated before the end of the financial year. This position may alter as exact costs and timing are finalised.</p>
Non DFM	(58)	(174)	<p>The year to date underspend is largely due to the increase in the bank base interest rate during the year, increasing interest receivable on our call account balances with Lancashire County Council. In addition, the outturn position reflects the above, plus interest receivable on several fixed term investments which have been put in place commencing in the second half of the year.</p>
Wholetime Pay	133	(358)	<p>The following issues affect whole-time pay:</p> <ul style="list-style-type: none"> <li>• The budget allowed for an assumed 2% pay award last year, however this did not transpire, hence in the first six months of the year there has been an underspend of £150k. (With a full year effect of £300k)</li> <li>• Overtime is overspent by approx. £60k the majority of which is attributable to the continuing policy of detaching wholetime personnel into key RDS stations.</li> </ul>

			<ul style="list-style-type: none"> <li>• As in previous years the budget includes a vacancy factor based on anticipated retirements, leavers and new recruits. During the first four months staffing numbers have been higher than forecast, due to fewer retirements, leading to overspend of approx. £100k. Whilst it is impossible to accurately predict this going forward, we have reviewed the position which is likely to reverse in the second half of the year due to a number of outstanding retirements coupled with several personnel leaving the service early. Hence we anticipate a broadly balanced position in respect of this at the year end.</li> <li>• The budget also allowed for the recruitment of 12 FF apprentices in the second half of the year, at a cost of £250k. Given the difficulty in establishing a suitable apprentice's scheme, as previously reported, it is clear that these will not be recruited until next year, and hence no costs will be incurred.</li> </ul>
Retained (RDS) Pay	217	377	<p>The following issues affect retained pay:</p> <ul style="list-style-type: none"> <li>• As referred to under whole-time pay the budget allowed for 2% pay awards in both years. Hence in the first six months of the year there has been an underspend of £22k.</li> <li>• Activity levels in the first 6 months of the year are higher than previous (excluding Winter Hill), reflecting increased hours of cover as well as an increasing number of incidents and hence pay costs are higher than forecast</li> <li>• In addition RDS recruits receive wholetime pay during the recruits course receive wholetime pay rates for two weeks, resulting in an overspend of £40k due to timing, on the two RDS courses run during the first six months</li> </ul> <p>Previously, the significant vacant posts in excess of the budgeted vacancy factor within RDS pay has mitigated any overspends, however with the improvement in retention/recruitment these are more visible, and will be reviewed for the next financial year's budget.</p>

Associate Trainers	36	60	The annual training plan is used to match planned training activity to staff available at the training centre. Where this is not possible, associate trainers are brought in to cover the shortfall. There have been several ongoing trainer vacancies throughout the year to date, which has resulted in the overspend shown, but are counteracted by corresponding underspends within wholetime pay.
Support staff (less agency staff)	(154)	(259)	The underspend to date relates to vacant posts across various departments, which are in excess of the vacancy factor built into the budget. (Note agency staff costs to date of £33k are replacing vacant support staff roles, this still only accounts for less than 1% of total support staff costs). Although some vacancies had been filled, there are a number of vacancies which have proven historically difficult to fill, most notably in ICT and Information Management, resulting in a forecast outturn underspend of £259k. The Service continues to review roles and structures before moving to recruitment.
Apprentice Levy	(7)	(19)	The apprentice levy is payable at 0.5% of each months payroll costs, the budget for this was set at anticipated establishment levels, hence the underspend against this budget reflects the various pay budget positions reported above. It should be noted that due to delays in apprenticeships standards being approved we have not been able to utilise the levy payments we have made to HMRC since April 2017. The outcome of this is that funds that have been in the levy account for 24 months and have not been utilised will be clawed back by HMRC. Whilst this will not affect the current year it will impact next year. At the present time we anticipate a claw back of £10k per month until we can fully utilise this for training costs. We have submitted an application for STC to be an approved training provider, in order to access HMRC levy funds to match training costs, however the timing of the approval process is unknown, hence no such income has been forecast in the current financial year.

## Capital Budget

The Capital Programme for 2018/19 previously stood at £16.7m, however following on from September Resources Committee we have amended the programme to remove the expected slippage as reported, hence the revised programme is now £4.1m. The slippage removed will be brought into the 2019/20 capital programme during the budget setting process, but for information are as follows:

Heading	Slipped £m	Reason
Pumping Appliances	1.134	Reflecting the anticipated stage payments in the next financial year as previously reported
Other Vehicles	0.580	Two Command Support Units (CSU), the requirements are currently being finalised with a view to undertaking a procurement exercise. However taking account of anticipated lead times the final costs associated with the purchase of these, £0.6m, will slip over into 2019/20
Operational Equipment/Future Firefighting	0.310	£160k in relation to BA radios has been moved to 2019/20 £150k associated with on-going research projects relating to new equipment has been removed to slip forwards to meet the future costs
Building Modifications	9.069	Preston Fire Station redevelopment, £6.9m has been moved into 2019/20 in relation to expected spend due to the delays associated with NWS' decision not to continue site sharing. Fleet workshop facility, £2.0m The replacement Fleet workshop is currently undergoing a detailed design prior to undertaking a tendering exercise, and again has been slipped into 2019/20.
IT systems	1.470	£1.0m relates to the national Emergency Services Mobile Communications Project (ESMCP), to replace the Airwave wide area radio system. This national project has suffered lengthy delays to date, and it is likely that the budget will slip into 19/20, therefore both the budget and associated grant have been moved into 19/20. The balance of the slippage relates to the replacement of various systems, in line with the ICT asset management plan, where progress to date indicates any eventual spend will be incurred in 2019/20.
Total	12.563	

A review of the remaining programme has been undertaken to identify progress against the schemes. The overall position as at the end of September shows £2.0m of capital expenditure. We are currently anticipating year end spend of £4.1m, with zero slippage. This position is shown is set out below, and is summarised in Appendix 2: -

Pumping Appliances	The budget allows for the first stage payment for the 7 pumping appliances ordered for the 2018/19 programme. The remainder of the budget has been included in the 2019/20 draft programme.
Other vehicles	This budget allows for the replacement of various operational support vehicles: <ul style="list-style-type: none"> <li>• One Aerial Ladder Platform which was delivered during July; and</li> <li>• One Water Tower, which is scheduled for delivery during the financial year.</li> <li>• Various support vehicles which are reviewed prior to replacement. As the lead times on these are relatively short we anticipate utilising this budget in year.</li> </ul>
Operational Equipment/Future Firefighting	This budget allowed for the initial purchase of technical rescue jackets, following the regional procurement exercise, which were delivered at the end of May and are now in service. £40k relates to the purchase of fist microphones, which include noise cancelling facilities and hence enable clearer voice transmission, thus aiding fire ground communications. The balance of £50k is to meet costs associated with on-going research projects relating to new equipment, and we anticipate utilising this in the current year.
Building Modifications	Completion of the new joint Fire & Ambulance facility at Lancaster was completed in October. Contract variations of £41k have been agreed in respect of time delays due to the discharge of planning conditions, and upgrading the appliance bay doors, however there are a further £40k variations still being discussed with the contractors. In terms of the redevelopment of Preston Fire Station, the budget allows for £0.1m of fees which may be incurred before the end of March. The final element of this capital budget relates to the balance of the Training Centre redevelopment works, largely relating to the replacement welfare/ICT porta-cabin which will be progressed before the end of the financial year.
IT systems	Given the delay on the ESMCP project, the replacement station end project has also been delayed. However we cannot delay this indefinitely and have therefore commenced work to replace the station end in the current financial year, whilst ensuring that any solution will be compatible with the eventual ESMCP solution. The budget also allows for the replacement of the Services wide area network (WAN) providing an enhanced network and improving speed of use across the Service, and having agreed a contract for this we anticipate this being completed in the current financial year.

Expenditure to date has been funded from the on-going revenue contributions, with the majority of the year end forecast also being met by this, supported by capital reserves.

## Delivery against savings targets

The following table sets out the efficiencies identified during the budget setting process, hence removed from the 2018/19 budget, and performance to date against this target: -

	Annual Target	Target at end of July	Savings at end of July
	£m	£m	£m
Staffing, including post reductions plus management of vacancies	0.059	0.030	-
Reduction in service delivery non pay budgets including the smoke detector budgets	0.090	0.045	0.018
Reduction in Fleet operational equipment budget	0.150	0.075	0.025
Reduction in capital financing charges	0.161	0.081	0.081
Procurement savings (these are savings on contract renewals, such as waste collection and stationery contracts)	-	-	0.125
Balance – cash limiting previously underspent non pay budgets	0.353	0.176	0.176
Total	0.812	0.406	0.229

The performance to date is behind of target, largely due current salary overspends and current operational equipment overspends, less procurement activities during the period. It is anticipated that we will meet our efficiency target for the financial year.

### **Financial Implications**

As outlined in the report

### **Business Risk Implications**

None

### **Environmental Impact**

None

### **Equality and Diversity Implications**

None

**Human Resource Implications**

None

**Local Government (Access to Information) Act 1985  
List of Background Papers**

Paper	Date	Contact
None		
Reason for inclusion in Part II, if appropriate:		

## APPENDIX 1

<b>BUDGET MONITORING STATEMENT SEPT 2018</b>	<b>Total Budget</b>	<b>Budgeted Spend to Sept 2018</b>	<b>Actual Spend to Sept 2018</b>	<b>Variance O/Spend (U/Spend)</b>	<b>Variance Pay</b>	<b>Variance Non-Pay</b>	<b>Forecast outturn</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Service Delivery</b>							
Service Delivery	30,572	15,365	15,661	297	342	(45)	48
Winter Hill	-	-	110	110	-	110	110
Training & Operational Review	4,014	1,973	1,965	(8)	(7)	(1)	10
Control	1,183	1,183	1,175	(8)	-	(8)	(8)
Prince's Trust Volunteers Scheme	-	148	127	(22)	-	(22)	2
Special Projects	(8)	(14)	(14)	(1)	-	(1)	(1)
<b>Strategy &amp; Planning</b>							
Fleet & Technical Services	2,214	1,272	1,288	16	9	8	(25)
Information Technology	2,515	1,246	1,196	(50)	(66)	16	(16)
Service Development	3,935	1,990	1,958	(32)	(43)	11	3
<b>People &amp; Development</b>							
Human Resources	694	365	323	(42)	3	(45)	(43)
Occupational Health Unit	257	129	109	(20)	(2)	(18)	(47)
Corporate Communications	299	154	137	(17)	6	(23)	(7)
Safety Health & Environment	219	101	100	(1)	2	(3)	(12)
<b>Corporate Services</b>							
Executive Board	1,014	524	531	7	11	(4)	(8)
Central Admin Office	799	393	371	(22)	(20)	(2)	(4)
Finance	143	71	69	(2)	(3)	1	0
Procurement	796	480	529	50	(2)	52	73
Property	1,304	790	895	105	2	103	150
External Funding	-	(21)	(21)	0	(0)	0	1
Pay							(196)
<b>TOTAL DFM EXPENDITURE</b>	<b>49,952</b>	<b>26,147</b>	<b>26,509</b>	<b>361</b>	<b>231</b>	<b>131</b>	<b>31</b>
<b>Non DFM Expenditure</b>							
Pensions Expenditure	1,178	740	726	(13)	-	(13)	80
Other Non-DFM Expenditure	3,641	931	867	(64)	(6)	(58)	(174)
<b>NON-DFM EXPENDITURE</b>	<b>4,818</b>	<b>1,671</b>	<b>1,593</b>	<b>(77)</b>	<b>(6)</b>	<b>(71)</b>	<b>(93)</b>
<b>TOTAL BUDGET</b>	<b>54,770</b>	<b>27,818</b>	<b>28,102</b>	<b>284</b>	<b>225</b>	<b>59</b>	<b>(62)</b>

## APPENDIX 2

CAPITAL BUDGET 2018/19	Revised Programme	Resources Nov	Revised Prog	Actual Exp	Year End Forecast	Slippage	Est final Cost	Over/ (Under) Spend
<b>Vehicles</b>								
Pumping Appliance	1.484	(1.134)	0.350	-	0.350	(0.000)	0.350	-
Other Vehicles	1.990	(0.580)	1.410	1.086	1.410	-	1.410	-
	3.474	(1.714)	1.760	1.086	1.760	(0.000)	1.760	-
<b>Operational Equipment</b>								
Operational Equipment	0.776	(0.310)	0.466	0.408	0.466	(0.000)	0.466	-
	0.776	(0.310)	0.466	0.408	0.466	(0.000)	0.466	-
<b>Buildings Modifications</b>								
STC Redevelopment	2.569	(2.169)	0.400	-	0.400	0.000	0.400	-
Lancaster Replacement	0.621	-	0.621	0.489	0.621	-	0.621	-
Preston Replacement	7.000	(6.900)	0.100	-	0.100	0.000	0.100	-
	10.190	(9.069)	1.121	0.489	1.121	0.000	1.121	-
<b>ICT</b>								
IT Systems	2.250	(1.470)	0.780	-	0.780	-	0.780	-
	2.250	(1.470)	0.780	-	0.780	-	0.780	-
<b>Total Capital Requirement</b>	<b>16.690</b>	<b>(12.563)</b>	<b>4.127</b>	<b>1.983</b>	<b>4.127</b>	<b>0.000</b>	<b>4.127</b>	<b>-</b>
<b>Funding</b>								
Capital Grant	1.000	(1.000)	-	-	-	-	-	-
Revenue Contributions	2.000	-	2.000	1.983	2.000	-	2.000	-
Earmarked Reserves	0.025	-	0.025	-	0.025	-	0.025	-
Capital Reserves	13.665	(11.563)	2.102	-	2.102	0.000	2.102	-
<b>Total Capital Funding</b>	<b>16.690</b>	<b>(12.563)</b>	<b>4.127</b>	<b>1.983</b>	<b>4.127</b>	<b>0.000</b>	<b>4.127</b>	<b>-</b>